SEPTEMBER 1986 A BILL PUBLICATION THREE DOLLARS

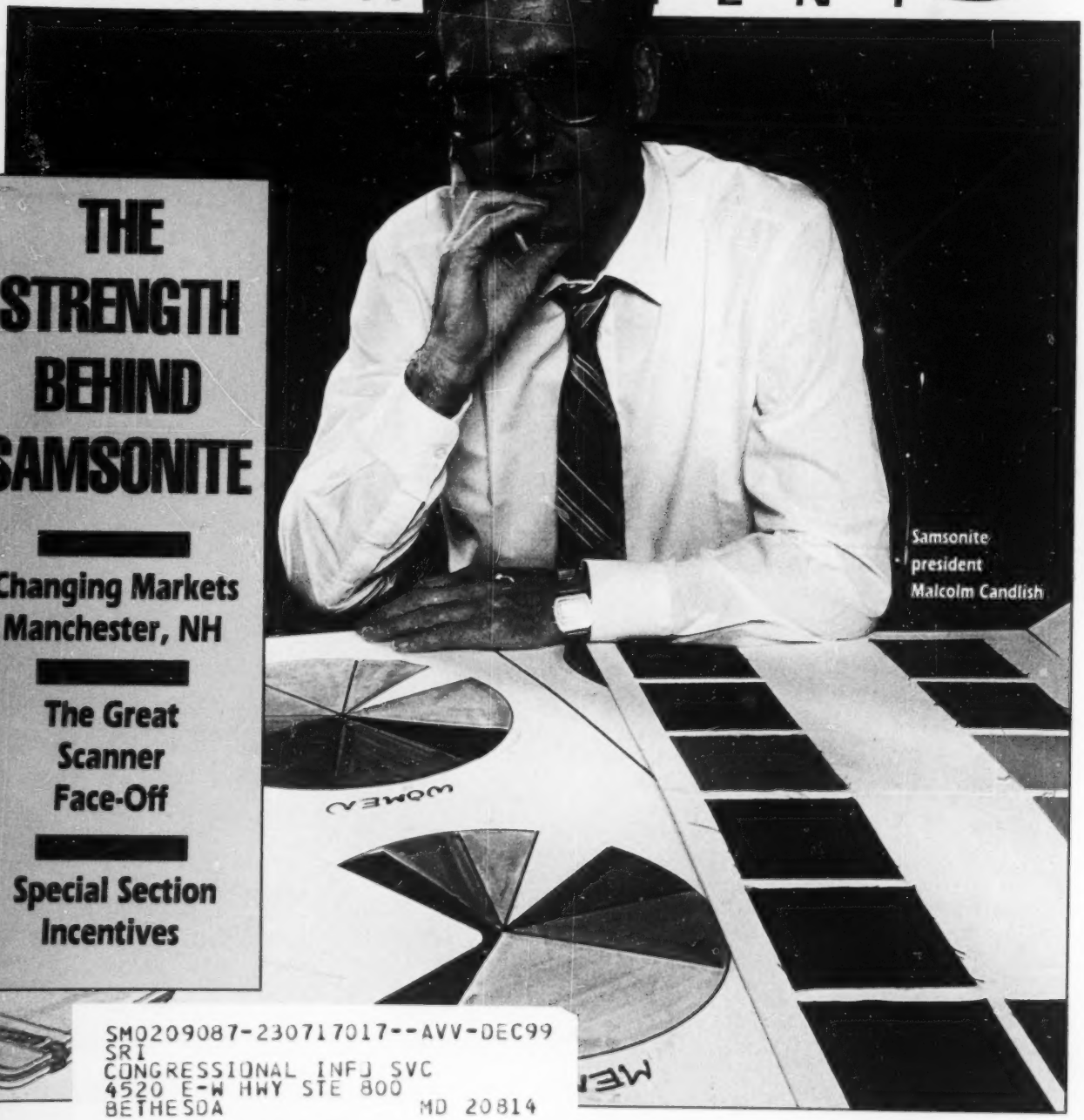
Sales and Marketing MANAGEMENT

THE STRENGTH BEHIND SAMSONITE

Changing Markets
Manchester, NH

The Great
Scanner
Face-Off

Special Section
Incentives



Samsonite president Malcolm Candlish

SM0209087-230717017--AVV-DEC99
SRI
CONGRESSIONAL INFO SVC
4520 E-W HWY STE 800
BETHESDA MD 20814

Sales and Marketing MANAGEMENT

Established 1918

Contents / September 1986

Sales Management

24
Starting up
Out of lab, into marketplace

Sales training
Toshiba copier division grows with its dealers

25
Selling a service
Small jobs bring big business

Trade shows
Exhibits start to take off, literally

27
Distributor relations
For Wyse Technology, distributors make the difference

28
S&MM Salesgraph
Rosier outlook for consumer electronics

Selling to government
Travel agents target the Pentagon

29
Multilevel marketing
USA aims to conquer with video

Marketing Management

30
New products
Selling sociable suds

Distribution
Videotapes join the mass market

32
Market segmentation
Toying with the competition

Retailing
America's laziest and messiest

33
Food and beverage
Beer wars

34
Getting started
Boost for "ignored" product line

35
Markets at a glance
College: cameras, computers, and cosmetics

Features

40
The strength behind Samsonite
Malcolm Candlish came to Denver three years ago to revitalize a sagging Samsonite. The 50-year-old Briton has done all that—and more.

43
The great scanner face-off
Checkout scanners are finally producing concrete results for food stores.

49
1986 Business Executives' Dining Awards ballot
S&MM's 1986 BEDA competition asks readers to name their favorite restaurants.

59
Changing Markets: Manchester, New Hampshire
The first article in a series that will examine locations holding developmental opportunities for marketers.

66
Supreme brings high-growth to low-tech
Rick Horn has a name for his marketing plan: controlled chaos.

Special Section

103
Incentives

- The spouse factor
- RCA sends its best to the fair
- Precision tool or blunt instrument?
- Ringing up records at Northwestern Bell
- Incentive bits
- A quick switch saves Central States
- Armstrong plays for high steaks

Newsletters

38
Industrial Newsletter

101
International Newsletter

37
Marketing Newsletter

Departments

163 Advertisers' Index
21 Books
65 Changes in the News
94 Compensation
78 Computers in Sales & Marketing
16 Demographics in Action
6 Editor's Side Pocket
76 Ideas You Can Use
12 Jaundiced Eye
8 Letters to S&MM
64 Marketers, Et cetera
89 Meetings
98 On the Road
27 S&MM Predicts
14 S&MM Viewpoint
162 Sales Mart
164 Significant Trends
75 Travellers' Network
165 Worth Writing For

Cover:
Expansion and innovation are the watchwords of Malcolm Candlish, president of Samsonite, as he fights to make the company "the recognized leader" in the luggage business. For more on Samsonite's strategy, see page 40.

Cover: Vera Steiner
Photo: John Sunderland

VOL. 137, NO. 4 S&MM **Sales and Marketing Management** ISSN 0163-7517 is published monthly except in February, April, July, and October, when it is published twice a month, by Bill Communications Inc., 633 Third Avenue, New York, NY 10017. Telephone: 212-986-4800. Copyright © 1986 by Bill Communications, Inc. All rights reserved. Subscriptions in the U.S. and its possessions, $38. Canada, $52. (U.S.) Foreign, $67 (U.S.). Allow 4 to 6 weeks for first issue to arrive. Second Class Postage paid at New York, NY, and at additional offices. Postmaster: Send address corrections to Sales and Marketing Management, Subscription Service Department, P.O. Box 1024, South Eastern, PA 19398-9990. Member of the Audit Bureau of Circulations, American Business Press, Business Publications Audit of Circulation, and Magazine Publishers Assn.

"U.S.A. Newsstand Distribution by Eastern News Distributors, Inc., 1130 Cleveland Road, Sandusky, OH 44870"

Authorization to photocopy items for internal or personal use, or the internal personal use of specific clients, is granted by *Sales and Marketing Management* for libraries and other users registered with the Copyright Clearance Center (CCC) Transactional Reporting Service, provided that the base fee of $3 per copy is paid directly to CCC, 21 Congress St., Salem, MA 01970. (0273-9313/81 $3.) Special requests should be addressed to Bristol Voss at *Sales and Marketing Management*. This permission does not apply to the annual *Survey of Buying Power*, *Survey of Buying Power—Part II*, *Survey of Industrial & Commercial Buying Power*, or *Survey of Selling Costs* issues, nor does it extend to other kinds of copying, such as for general distribution, resale, advertising/promotional purposes, or creating new collective works.

ABP BPA MPA

S&MM salesgraph

Rosier outlook for consumer electronics

A robust housing starts market and continued price competition despite a stronger Japanese yen prompted the Electronic Industries Assn. (EIA) to nudge its forecast of 1986 consumer electronics sales upwards. EIA now sees factory sales rising 7.1% to $26.1 billion vs. a 5.0% gain predicted at the start of the year.

The sunnier prospects are due to two acronyms: CD (compact disc) and VCR (videocassette recorder). Sales of compact disc players, the industry's hot new product, are expected to surge 66% to $360 million vs. $315 million predicted earlier. That represents 1,800,000 players compared to 966,000 sold last year. Where EIA previously thought the boom in VCRs would decelerate to a 2.5% uptick, it now sees sales rising 12.5%.

The most dramatic shift in EIA's outlook centers on satellite earth stations, whose market collapsed when HBO and other cable-TV program providers began scrambling their signals. Sales are now expected to plunge 38% vs. the runup EIA projected earlier.

1986 outlook for consumer electronics

Product Category	1986 Sales (Mil. $)	% Change vs. 1985
VIDEO	$11,962	5.0%
Color TV	5,625	1.1
VCRs	5,330	12.5
Projection TV	575	17.8
AUDIO	7,355	11.5
Car audio	2,800	21.7
Audio systems	1,595	16.3
Separate audio components	1,300	14.8
Portable audio tape equipment	1,155	(6.2)
OTHER	6,760	6.1
Home computers	2,350	14.6
Blank videocassettes	1,200	13.7
Home computer software	975	30.0
Telephones	910	(6.2)
Satellite earth stations	560	(37.8)
TOTAL	**$26,077**	**7.1%**

Note: Details may not add to totals due to omitted categories and rounding. Only products with more than $500 million in sales are shown here.
Source: Electronic Industries Assn., Consumer Electronics Group.
©Sales and Marketing Management

computer, and a recently signed deal to manufacture computers for the Businessland chain.

The computers will bear a joint Businessland/Wyse Technology logo—a first in the industry—and should go a long way toward giving the company increased visibility.

Charles Comisco, vice president, marketing, for Wyse says that while others in the computer industry were off doing other things, Wyse concentrated on a combination of factors: the rapid growth of the multi-user system market requiring terminals, strong quality control manufacturing their own product, selectivity in their choice of distributors, and not competing against their distributors for sales.

The company's sales force is a distributor-oriented sales force. "Their sole job," says Comisco, "is to help distributors make sales, not to sell to the end users themselves. Other than OEMs and military sales, leads go to distributors through our 12 regional offices." Since 56% of sales are handled by distributors, it's obvious that their formula is working.

Selling to government

Travel agents target the Pentagon

It took them 89 years to do it, but the nation's travel agents have finally won government approval to book both official and unofficial travel at Army installations throughout the U.S., some $390 million in annual business. Other branches of the military will soon follow, a blow to airlines that will soon begin paying commissions on the Defense Department's $1 billion air travel budget.

But don't look for crowds of agents to open shop on military posts. The Army plans to start by awarding only six regional contracts, a scheme that favors industry

Bumper sticker tells how to avoid being dead drunk.

New products

Selling sociable suds

Warteck, Kaliber, Moussy; these and other nonalcoholic beers account for a mere 0.3% of all beer sales, yet 25 to 30 such companies are currently battling for a share of this rapidly growing market, where sales jumped 25% last year alone.

Zwi Preminger, president of Omni Industries, importers of Warteck, claims that his product is better tasting because it's brewed without alcohol. Other brands, says Preminger, burn off or freeze off the alcohol at the end of the brewing process, but "we do not de-alcoholize." The challenge, he says, is to make consumers aware of the difference.

To this end, Omni, Greenwich, CT, is spending more than $1 million to advertise and promote the brand. Ads stress the good taste of Warteck by showing the brew with an array of appealing foods. To reach upscale consumers, ads are running in *Food and Wine* and *The New Yorker* magazines, as well as in the *New York Times* and the *Wall Street Journal*. In addition, consumer response at a recent tasting exposition sponsored by New York's Waldbaum supermarkets revealed that "middle- and lower-income people who don't know about Warteck also like the taste," says Preminger. Because of this, *Sports Illustrated* was added to the ad schedule "to capture that market."

Promotions will continue to focus on in-store tasting. In Florida, sampling at Winn Dixie supermarkets put Warteck into all 157 stores in the chain within two weeks—and caused a number of Winn Dixie's local competitors to take on the brand. Coupons have not yet been effective, says Preminger, because "the public doesn't know the product name."

Omni is also getting a lot of mileage out of its sponsorship of a designated-driver program in New York's Suffolk County. Warteck has been named the beverage of preference in the program, using the slogan "Drink Warteck Instead" (a play on the initials of Driving While Intoxicated). In return, local distributors provide two free cases of Warteck to each establishment that serves free nonalcoholic beverages to designated drivers.

Warteck, which sells for about the same price as regular imports ($3.99 to $4.99 for a six-pack), last year ranked No. 23 among all imported brands in the U.S. Case sales for 1986 are projected to be about 650,000. They'll keep climbing, says Preminger, because "it's just not sociable to be drunk anymore."

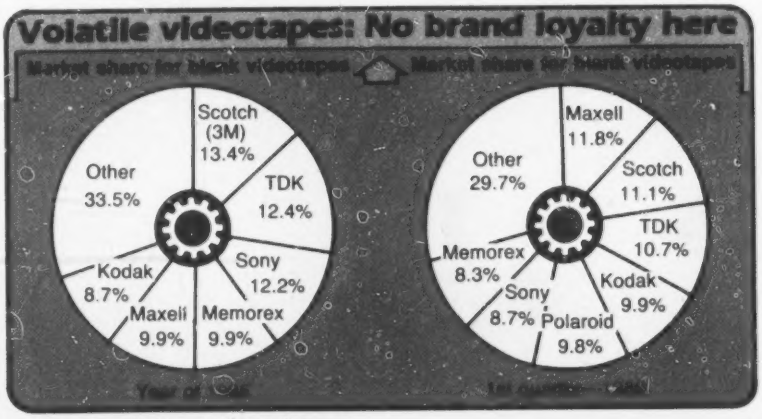
Distribution

Videotapes join the mass market

In the last quarter of 1984, 3M's Scotch brand dominated the blank videocassette market with a 23% share. One year later, Scotch's fourth-quarter share stood at a demoralizing 9.3%, though it still led the pack with a full-year share of 13.4% (see chart).

What happened? A review in the October 1984 issue of *Consumer Reports* naming Scotch the highest-quality blank videotape caused a tidal wave of consumer demand that depleted 3M's inventory. Scotch marketers decided to ride this crest of brand loyalty into the Consumer Electronics Show in June, where they insisted on a trade price of $4.93 per tape while other high-quality manufacturers like Maxell, TDK, and Memorex were getting between $4.17 and $4.30. 3M then unleashed a massive mailing of coupons to consumers, who found it difficult to cash them in. Fewer Scotch videotapes were on the shelves because fewer distributors were willing to buy them at the higher price.

"They tried to change it from a distributor-based business to a consumer-based business," says Gerry Ghinelli, consumer products marketing manager for Maxell. "But there is no brand loyalty in video-



Source: Industrial Marketing Research

tapes." Maxell, meanwhile, widened its distribution in supermarkets and mass merchandisers and leapt to No. 1 on the first-quarter 1986 market share list with 11.8%. In the volatile videotape market, says Ghinelli, it is not uncommon for a new leader to emerge each quarter.

The lesson was not lost on 3M marketers. "Every piece of research we've done says quality is the number one purchase criterion, but right behind it is price," says Tom Zohn, market development manager for consumer video at 3M. "There are three or four brands consumers are comfortable with, and the one with the best price is going to stand out."

Distribution, says Zohn, has become the top priority for blank videotape marketers and, with tapes already well-ensconced at discount stores and mass merchandisers, supermarkets are becoming the prime targets for future sales growth.

Rightly so, because the blank videotape has evolved into a true mass-market item. With videocassette recorders now found in more than 35% of U.S. households, Maxell marketers estimate that video junkies will buy 300 million blank tapes before the year is out vs. only 200 million in 1985. For the first time, blank videotapes will outsell blank audiotapes.

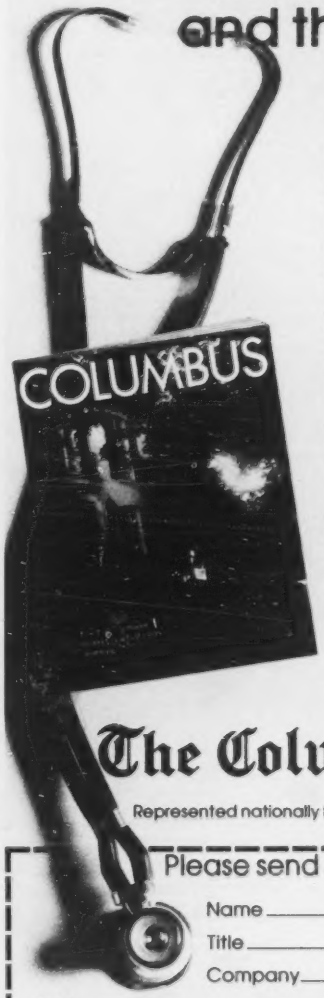
Buying patterns are also in a state of flux. Just three years ago, men accounted for 75% of purchases. Now, according to an A.C. Nielsen report, 51% of blank videotapes sold this year will be bought by women—and supermarkets are still a largely female domain.

Zohn of 3M says that, presently, only 3% of all videotapes are sold through supermarkets, but feels that figure could zoom to between 15% and 25% by the end of the decade. Scotch may have a bigger foot in the doors of supermarkets since 3M has 65 grocery brokers working on getting them the distribution. Zohn claims they have already penetrated 50% of the 40,000 convenience stores and supermarkets 3M considers "important."

"Supermarket distribution has such great potential," says Zohn, "that we'd rather try to own it now than fight for it later."

But 3M's competitors are hard on their heels. Mike Bolton, western national accounts manager for Maxell, has been carrying the gospel of videotapes to grocery chains and says it's a matter of convincing them to get the tapes out from behind the store manager's desk and promote them for maximum profit. Supermarkets can expect margins of 18% on tapes sold at promotional prices and 30% when sold at list.

Columbus is healthy and thriving in Ohio!



Sometimes it takes more than a routine examination to determine the condition and value of a market.

Often more information is necessary to complete your diagnosis. You can make a thorough analysis of affluent central Ohio by sending for your free copy of *The Dispatch's* new marketbook, **Columbus has it all.** This book has the additional data that will please your clients and could provide you with a vacation for two.

When you order a copy of **Columbus has it all** you receive an entry blank for the "Examine Columbus" Contest. Complete and return the contest form to *The Dispatch.* A trip to Walt Disney World in Florida could be yours compliments of *The Dispatch.* Even if you don't win the vacation, you'll know more about the Columbus, Ohio market and we'll send you a small gift for your interest.

A few facts about healthy Columbus:

★ **MSA seven county region of 1.3 million people**
★ **Median household income of $26,089**
★ **Effective buying income of over $15 billion**

The Columbus Dispatch
Morning & Sunday
Represented nationally by Cresmer, Woodward, O'Mara and Ormsbee, Inc.

Please send me a copy of **Columbus has it all**

Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____

MAIL THIS COMPLETED COUPON TO:
"Examine Columbus" Contest, 34 South Third Street, Columbus, Ohio 43215
Deadline for completed contest entries: December 15, 1986.

Note: "Examine Columbus" contest open to advertising agencies or advertisers in the U.S. except employees and their families of *The Columbus Dispatch* and their advertising agency. This offer is void wherever prohibited and subject to all federal, state and local laws.

Like 3M, Maxell is pushing co-op dollars, endcap displays, trade allowances for checkout locations, and multi-packs.

"Blank tape has become a volume item, a traffic-building item," says Bolton. "As a category, it's treated no different from toothpaste or mouthwash."

Market segmentation

Toying with the competition

If you're in the toy business these days, experts point out, there's little time to play around finding new market segments.

"The toy industry is getting flatter and flatter, and sales are beginning to go the other way," says advertising executive Franchellie Cadwell, president of Cadwell Davis Partners, New York City.

One ready-made segment that few retailers seem to be courting is the grandparent. Grandparents make roughly 20% of infant and pre-school toy purchases, according to the NPD Group, a market research firm based in Port Washington, NY. Cadwell, whose advertising firm works in the toy industry, suggests that people in this segment are ideal toy consumers because today's grandparents have more disposable income and fewer grandchildren than their predecessors. In addition, half of all grandparents live more than 100 miles from their children, which gives them more freedom to make toy purchases without direct pressure from the child, as well as more free time to shop and educate themselves about individual toys.

One retailer that has already recognized the buying power of the grandparent is F.A.O. Schwarz, a specialty chain that caters to expensive toy tastes. Schwarz is about to move its Fifth Avenue flagship store in New York City, and one of the many separate boutiques in the new store will be a "Grandma's Shop," featuring top-of-the-line gifts for infants. Susan Shea, Schwarz's vice president of marketing, says the company plans to staff the boutique with the store's older saleswomen, many of whom are grandmothers themselves.

F.A.O. Schwarz will cater to grandparents' tastes.

Retailing

America's laziest and messiest

Wallpaper sold by the pound and truck-tire inner tubes are hot items at Building #19 stores this month. Like most of the other merchandise in these Boston-area stores, these "new" products were created from other peoples' losses.

Building #19, Hingham, MA, retails items culled from insurance salvage, bankruptcy stocks, irregulars, close outs, and mail order returns. Sixteen "merchants," who are roughly equivalent to department store buyers, are responsible for the acquisition of goods, which are eventually placed in one of the company's seven stores or two warehouses in the Boston area. But what makes Building #19 so different—beside the fact that it is the largest operation of its kind in New England—is the off-beat image with which it markets itself, within the store as well as in advertisements. One example: The company's letterhead, which reads, "Building #19, Inc.—America's Laziest & Messiest Department (?) Stores."

Founder, president, and head marketing strategist Jerry Ellis refers to Building #19 as "half store, half sideshow," and the products offered reflect this entertaining ambiguity: There are bird cages without tops, first-quality paint at only $3.99 per gallon, and nightshirts that are labelled "soft, cuddly and 99 44/100 percent perfect." Print ads are equally zany. Ellis himself appears, in cartoon form, on the covers of advertising circulars and mailings. The pseudo-catalogues, which have used the same highly successful format for 13 years, are filled with humorous advertisements and cartoons designed by artist Mat Brown.

CONGRATULATIONS TO THE CLASS OF '86
READY-OR NOT, HERE THEY COME!
FROM ANOTHER CRAZY OUTFIT:
BUILDING #19
SALE STARTS WEDNESDAY JUNE 4TH

Building #19's circulars, by artist Mat Brown, go for the bizarre touch.

The thing that has contributed most to Building #19's advertising success, says store operations manager Paul Poulin, is that the ads are unusual and they guarantee the lowest prices in New England. "Ours is one of the few circulars people read just for the jokes," he says.

Building #19's sales, on the other hand, are no joke. Figures for 1985 were slightly more than $52 million, says Ellis, and he estimates that the total will approach $58 million this year. "Our goal," he says modestly, "is to make Building #19 the best—and the most fun—place to shop and work in New England."

The great scanner face-off

Illustration: Frank Sargent

With checkout scanners giving food chains a strong informational edge, product marketers are under pressure to develop products and programs that meet retailer profitability goals. How soon will other packaged goods marketers face this challenge?

A bit of black comedy bandied about in the grocery products business these days goes thus:

The scene: *Office of retail chain buyer.*

Salesperson: *Joe, here are the details of our new promotion. A cents-off coupon, an attractive case allowance, and a heavy schedule of TV spots in your trading areas. Based on our shipments to your warehouse for our last promotion, I think you should order a minimum 200,000 cases so you won't be out of stock when the demand peaks.*

Buyer: *Wait a sec, Frank, let me check it out. (He turns to his PC, punches a few keys, and scans the numbers and graphs that flash on his screen.) Your last promo produced mixed results. It played well in white-collar areas but turkeyed in blue-collar neighborhoods, where most of our stores are located. It didn't increase overall product category sales; all it did was generate a lot of brand churn, which means you didn't pull any new customers into my stores. One reason may be that the TV programs your ad agency picked for the spots had pretty low ratings. (He plays with his PC keyboard and scans a new array of numbers.) Your post-promo sales were up somewhat, but, considering the shelf cube, eye-level position, and end-of-aisle displays I gave you, I came nowhere near achieving my direct product profitability target. I think I'll go for 50,000 cases, unless you can build a stronger case—if you'll pardon the expression—as to how your promo will benefit my stores.*

Salesperson *(to himself): How do I compete with that? Wait until the district manager hears about this.*

The catalyst for this prescient scenario is the supermarket checkout scanner, beeping as it reads the black bars of the Universal Product Code (UPC), generating a flow of data for each individual sale: product, category, brand, size, price, flavor, and, where necessary, causal data such as coupon, special promotion, in-store display. The information foundation built at checkout counters sets the stage for seismic shifts in packaged goods marketing, and carries heavy implications, including:

- The balance of power inherent in sales information, dominated by manufacturers up to now, will tilt inexorably in favor of retailers. "Knowledge is power," Sir Francis Bacon said in 1597, and that's even truer today as a result of information technology:
- Manufacturers' salespeople, facing off against more knowledgeable buyers, will become more information-oriented when presenting new product or merchandising proposals. Computer analyses, customized by account, will be as common in sales kits as order forms:
- Demarcation lines between sales and marketing departments will blur as the two are forced to integrate strategies and tactics for selling to major chains:
- Advertising agencies will be leashed to tighter accountability measurements as the success or failure of promotion spending becomes known more quickly.

While the scanner revolution today most directly affects marketers who sell through supermarkets, its expanding reach will embrace those who rely on other distribution channels—mass merchandisers, drug stores, discounters near-term, and department stores long-term.

True, scanners have been around since the early 1970s, when Kroger

installed the first experimental unit in one of its Cincinnati outlets. However, a confluence of factors invests the information technology with new, sweeping capabilities.

First, scanner-equipped stores will account for more than half of commodity sales by supermarkets this year, according to A.C. Nielsen estimates, and will lift that ratio to 62% by 1989. Second, the weekly frequency of scanner reports, vs. the monthly warehouse withdrawals (Selling Areas-Marketing) and bimonthly in-store audits (A.C. Nielsen), will enable marketers to respond more quickly to marketplace developments. And, third, a bevy of information providers will marry internal scanner data with external metro market and household data, an amalgam that has spawned the buzzwords, "single source data."

Such enriched scanner data will give marketers deeper insights into sales promotion performance, such as who bought the product and how often; buying stimuli responded to; competitive brands most affected; and store types with strongest and weakest results.

Scanner data's greater timeliness also appeals to marketers. "When you drop a coupon or have a display, the sales effect is immediate and dramatic," notes Dennis Ready, director of marketing research and support-brand products, Pillsbury, Minneapolis. "A lot of that volatility is lost when data covers a monthly or bimonthly period, but you will notice it when reports are in weekly increments."

Before scanning's full potential can be tapped, however, certain roadblocks must be hurdled, the most important of which is accuracy. Paul M. Schmitt, vice president and director of business development, A.C. Nielsen, Northbrook, IL, estimates "between 10 percent and 12 percent of the data is unusable as received from stores and has to be salvaged to prevent contamination of the database."

Up to now, the relatively few dividends delivered by scanner data have been enjoyed mostly by retailers. They've focused primarily on operations applications, such as inventory management and scheduling, that, University of Chicago marketing professor Robert Blattberg told this year's Food Marketing Institute's annual meeting, "are crucial in driving down costs and increasing profits."

Two interlinked operational applications already affecting marketers are direct product profitability (DPP) and shelf management. "Scanner data is the primary ingredient driving our shelf management program," says Art Patch, vice president and manager, Corporate Grocery Div., Safeway Stores, Oakland, CA. "The program allocates the quantity and quality (eye-level) of space, and, in turn, is determined by DPP, which considers all of the costs associated with holding and handling a product, from warehouse to checkout. When the costs are deducted from our margins, we have a DPP coefficient for every item carried in our stores." Patch says DPP findings were instrumental in making Procter & Gamble change the bottle design of its salad oils "so as to ship

Scanner information bandwagon

Several third-party information providers are promoting enriched scanner data services that enable marketers to make broader use of the data.

A.C. Nielsen offers a boutique of scanner reports. *ScanTrack* provides scanner data from 1,600 supermarkets in 25 major markets as well as projected U.S. totals. For the same markets, *ScanTrack Plus* provides what Nielsen calls "aggregrated household impressions" (as distinguished from household panels) of promotion offers, TV commercial gross ratings points, and retailer ads and displays. *ScanCheck* makes in-store observations that clients request. Later this year, the company will open an on-line database in Minneapolis that clients can access directly, extracting data at different aggregrated levels for their own analyses. And, at the start of 1987, Nielsen hopes to add TV viewing measurements as a supplement to the scanner data.

Information Resources, with considerably more scanner experience than any of its rivals, pioneered the field with *BehaviorScan* in 1980. That service, used for test market applications, covers 17 markets, combines scanner data with purchases made by 35,000 households, a sample of which have TV converters that allow the delivery of different test commercials to sub-groups. Last month, the company added *InfoScan*, which expands the number of households to 50,000, markets to 31. President Gian Fulgoni claims that by the end of 1987 *InfoScan* will cover 53 markets and include more than 2,000 stores (vs. 700 today). *InfoScan* will also track promotional activities.

Selling Areas-Marketing Inc. (SAMI), a Time subsidiary, offers scanner data for nine markets, and hopes to have 15–20 by year's end, says Alan Miller, vice president. Miller says the new service captures information for store-delivered product categories missed by its warehouse withdrawal reports, such as soft drinks, baked goods, and cigarettes. **SAMI** uses its recently acquired Burke Marketing Services to supplement scanner data with retailer display and advertising feature information.

SAMI is also involved in **ScanAmerica,** a joint venture with Arbitron, said to be the largest supplier of broadcast audience ratings. A pilot project launched in Denver last year has equipped 200 homes with "people meters" that measure TV viewing, and wands for tracking household purchases. Panel members pass the wand over the UPC bar codes of products they buy to record their purchases. Jim Spaeth, director of media services, says plans call for a panel of 5,000 homes by 1988.

less air" and Chesebrough-Ponds pack fewer Pasta Meals per shipping carton "to match in-store turnover."

Aware of the potent ammunition DPP gives retailers, some manufacturers use the technique to solidify relations with the chains. Nabisco Brands' Grocery Broker Operation has 10 DPP specialists, five who analyze DPP at Parsippany, NJ, headquarters and five in the field who advise the firm's food brokers on how to utilize the concept when selling Nabisco products.

Use of scanner data by manufacturers has been mostly confined to the market research area. General Mills, Minneapolis, uses scanner markets to test new products, advertising themes, and consumer promotions. "The limited number of metro markets with scanners prevents greater use of such data," observes Doss Struse, their director of marketing research services.

Single source data

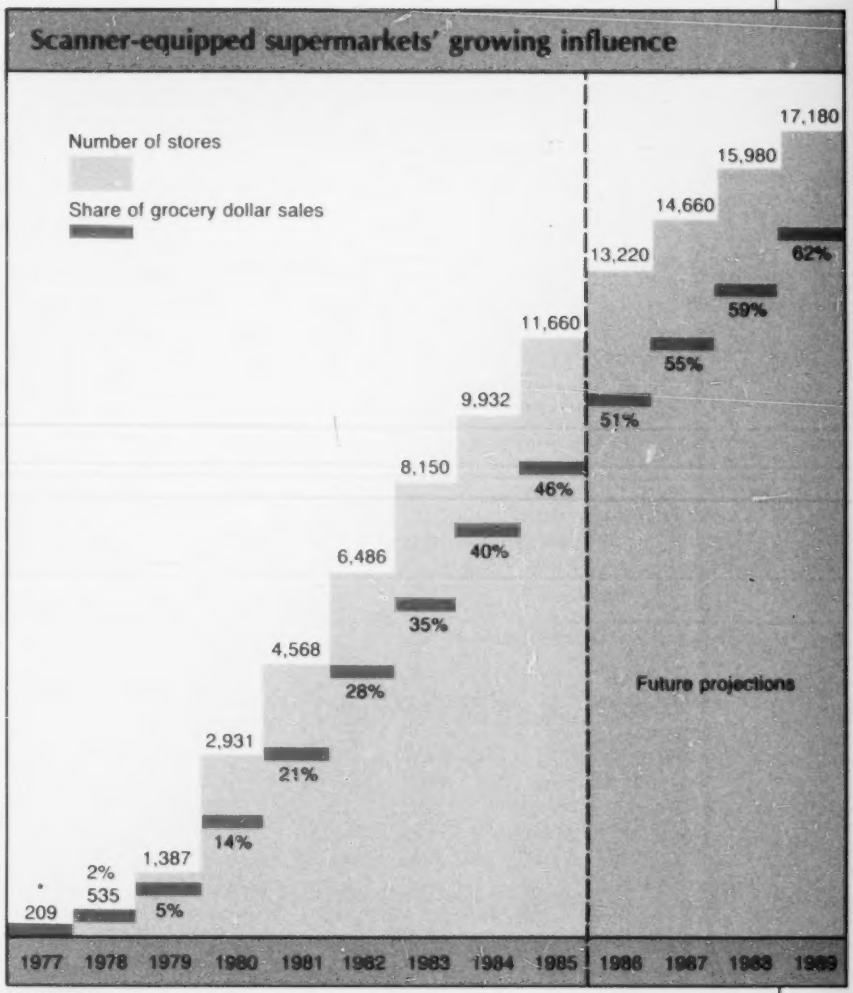
If first-generation scanner data was used piecemeal by marketers, an emerging second generation, called single source data, would move applications out of research and into the sales area. The four critical components of such data are, as capsuled by Beth Lubetkin, vice president, Information Resources, Chicago, at a recent Advertising Research Foundation workshop: "retail sales (national, regional, and major market); individual household purchase data; causal data on promotional exposure; and media exposure data."

The integration of data that previously was culled from various sources promises major benefits for marketers. "It adds a whole new dimension to scanner data," says Ken Robb, marketing coordinator, Gaines Foods, Tarrytown, NY, "by giving you the dynamics behind your sales volume. Once you've learned who bought your product and what motivated them, you'll have a better idea of whether your advertising is aimed at the right target and how your brands react with competitors." Adds Michael Duffy, information analysis manager, Pepsi-Cola USA, Purchase, NY: "We subscribe to many syndicated services, each of which provides a unique window on the world but that are not relatable. Integrated scanner data will not only tell us how many people saw a Pepsi display in a supermarket, but whether or not it produced more sales."

Coincident with the arrival of integrated scanner data, retailers themselves are moving beyond operations applications. "They're beginning to look at the so-called soft benefits of scanner data," says Tony MacNeary, vice president of Information Resources' Retail Consulting Group. "You'll see them do more promotional analyses and play around with price elasticities. However, retailers are still handicapped by the lack of analytical resources compared to those manufacturers have."

While it's a matter of conjecture as to when buyers and salespeople will have scanner data readily at their disposal, there's general agreement that when the scanner face-off arrives, the rules of the game will change. "The fact that retailers will have information on results before we do will change the basis of our relationship and the nature of the selling assignment," says General Mills's Doss Struse. "Manufacturers will have to develop more products and programs that meet retailer objectives as well as their own—the two are not always the same."

Some see the changed relation-



ship tilting the balance of power in favor of the retailers. Consultant Mack Hanan, president, Greenhouse Group, New York City, agrees: "Scanners will accelerate the shift already begun by, on the one hand, food chain consolidation, and, on the other, the fact that marketers' record number of new products and promotions exceed available retail shelf and floor space."

Others see a closer partnership rather than a confrontation. Dubbing balance-of-power talk as "hula-hoop mentality," Gene Hoffman, senior vice president/corporate strategic planning, Super Valu Stores, Minneapolis, contends "scanner information will ultimately be broadly available to both parties, so they'll have to sit down and work out the best way to make it mutually beneficial."

New environments

Caught up in the changed relationship, the salesperson will have to adjust to the new environment. "Salespeople will have to really get in there and understand the account situation," says James H. Huguet, president of Northeastern Organization, a Trumbull, CT, consulting firm. "Instead of just going in and presenting a deal, they'll have to become product category experts and be more creative in developing opportunities for their accounts to the extent that they become regarded as the 'preferred supplier.' "

Until they achieve that status, salespeople "will be in a defensive mode," says Robert P. Magrann, staff vice president of sales, Grocery Broker Operations, Nabisco Brands. "Before, the salesperson told the buyer what was going on in his product category. Now, the buyer knows the sales volume before the salesperson does."

Some companies are already moving to lift the knowledge level of their salespeople. Campbell Soup, Camden, NJ, is outfitting salespeople in selected districts with hand-held terminals so they can receive scanner data electronically prior to calling on accounts. "We want to find out if UPC data will replace warehouse withdrawal information as a basis for dialogue with the trade," explains Edward Russell, corporate research manager. "It's important that manufacturers regain the initiative by finding creative ways to use scanner data."

Before scanning's potential is tapped, roadblocks must be hurdled.

The role changes triggered by scanner data will extend to the interaction between a marketer's sales and marketing departments. "There's no doubt that scanner information will make the salesperson more directly involved in the total marketing process," says Robert King, director of business decision support systems, General Foods, White Plains, NY. "He simply can't say 'Give me the deal and order forms and I'll go sell.' He has to understand where he fits into the whole marketing process. At the same time, marketing must develop a greater understanding of what's going on in the stores so that it doesn't screw up the sales function."

Concurring from a different perspective, Safeway Stores' Art Patch says that "Because the salesperson, through his contacts with the buyers, will gain a greater understanding of the retailer's total systems approach, the sales department must exert more influence over the marketing department. Marketing can't make product design decisions on just packaging issues, for example, but will have to be guided by retailer issues that the salesperson will be transmitting back to that department."

That marketers are beginning to move toward such coordination is suggested by A.C. Nielsen's experience. "When we made presentations on the bimonthly NFI (Nielsen Food Index), it was usually presented exclusively to the marketing research guy," recalls vice president Paul Schmitt. "Now, when we make presentations on ScanTrack, people from the sales and merchandising departments invariably sit in."

The greater timeliness of scanner data will make marketers monitor their advertising agencies more closely. Holding agencies accountable for the results of advertising strategies, which aim at building a brand franchise over the long-term, is always a nebulous matter. However, when scanner reports give a fast—and precise—readout of the success or failure of a particular promotion, marketers will gain a measurement tool for gauging agency efficiency in spending promotion dollars. That marketers will make greater use of scanning data to analyze the efficiency of their sales promotions is underscored by findings from Donnelly Marketing's annual survey of promotional practices, which reveal that since 1978 the share of the promotion dollar allocated to consumer promotions has jumped from 24% to 30%, while media advertising's share has fallen from 42% to 35%.

Advertising impact

Sensing the closer scrutiny that's in the offing, Graham Phillips, chairman of Ogilvy & Mather, New York City, notes, "It's not unusual to see a brand's share of market range from as low as 4 percent to a high of 55 percent during a 12-week (promotion) period. What worries an advertising man today is the fact that price and coupon promotions have such an enormous impact on short-term sales." To assuage such worries, the company recently bought AccuSpace, a company specializing in scanning software, a move that will probably be duplicated by other agencies with major brands as clients.

With all of these changes in climate, the need for flexibility and responsiveness by packaged goods marketers becomes even more important. Their ability to compile, analyze, and interpret scanner-generated data will determine the success or failure of their future marketing programs.

Thayer C. Taylor, Senior Editor

A SALES MANAGER'S QUIZ.

In which area would you like to see your salespeople improve their productivity?

- A. Typing
- B. Data entry
- C. Programming
- D. Finding and closing business.

The productive answer (D) is a SNAP. SNAP is a territory management software system that handles the ABC's while your salespeople handle the business.

For more information about a computer based system that handles the details while your people handle the sales, call: **603/623-5877.** Or write: KLS, Inc., 862 Union St., Manchester, NH 03104.

SNAP

SNAP runs on an IBM PC, XT, AT or compatible.

Circle No. 132 on Reader Service Card

er Howard Sutton. That's because sales reps "will spend less time selling and more providing technical advice and solving problems."

Selling pays at DEC

Digital Equipment Corp. (DEC), the computer industry's hot company this year, believes in sharing the wealth. Two of its marketing executives are among the 10 best paid marketers in the industry, according to the annual compensation survey by *Computer Marketing Newsletter*, Santa Ana, CA. John Shields, vice president of sales and service, ranked fifth with $408,133, and Winston Hindle, vice president of corporate marketing, finished seventh, with $405,000. Both fattened their paychecks by almost one-

SELLING COMPUTERS

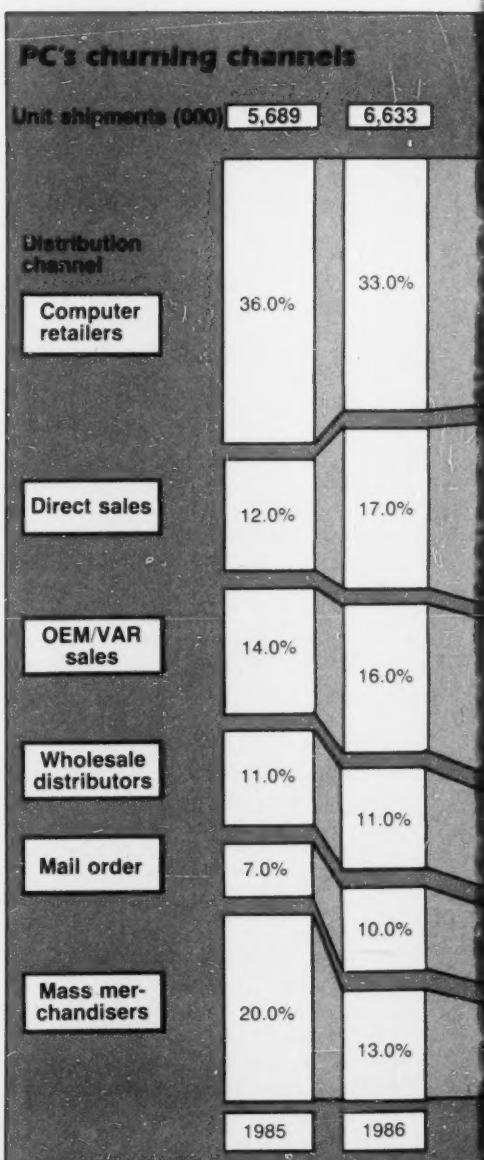
PC marketers love their own

Talk to a sales executive from any of the leading PC marketers and you get an unending chorus of praise for computer retailers. However, that doesn't mean they're one whit less devoted to their own direct sales forces, as International Data Corp.'s (IDC) latest annual report on the PC market reveals.

According to the Framingham, MA, research firm, the percentage of industry shipments moving through retail stores will slip from 36% in 1985 to 33% this year and next, while the share sold by marketers' own sales forces will bubble up from 12% last year to 17% this year and 20% next year. The reason: Computer retailers are going through a reshuffling as they try to cope with price-conscious buyers and transition from a walk-in business to outbound sales operations.

The shakeout should be completed by 1988, when the retailers will nudge their share up to 34% and an even higher 36% by 1990. However, marketers will continue to rely increasingly on their own sales forces, IDC observes, because "selling direct is the single most effective method for maintaining margins and controlling important corporate accounts."

Source: International Data Corp., *Personal Computer Markets 1985–90* (PCMPS Vol. 2)
•Sales & Marketing Management



Support research.

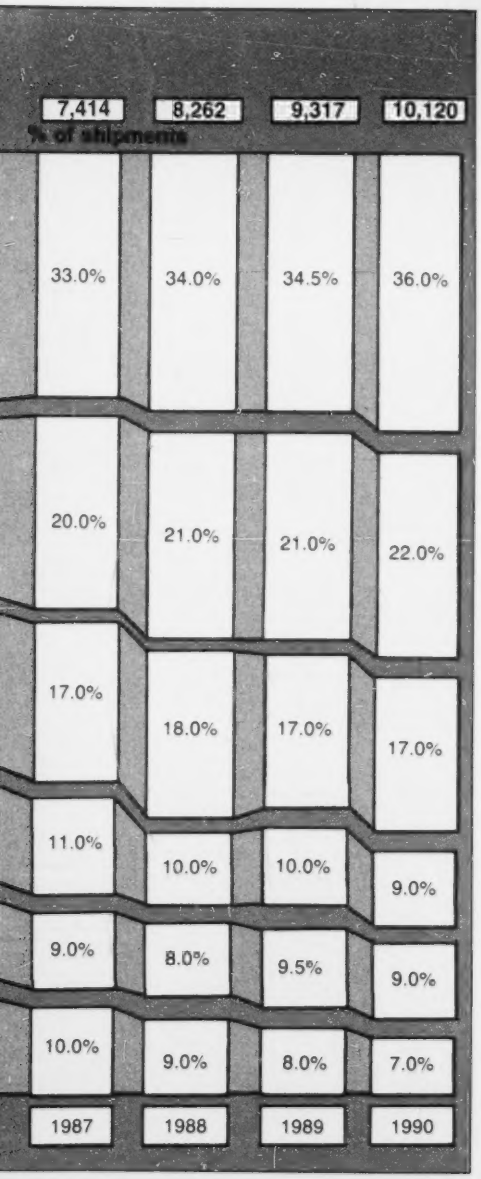
American Heart Association

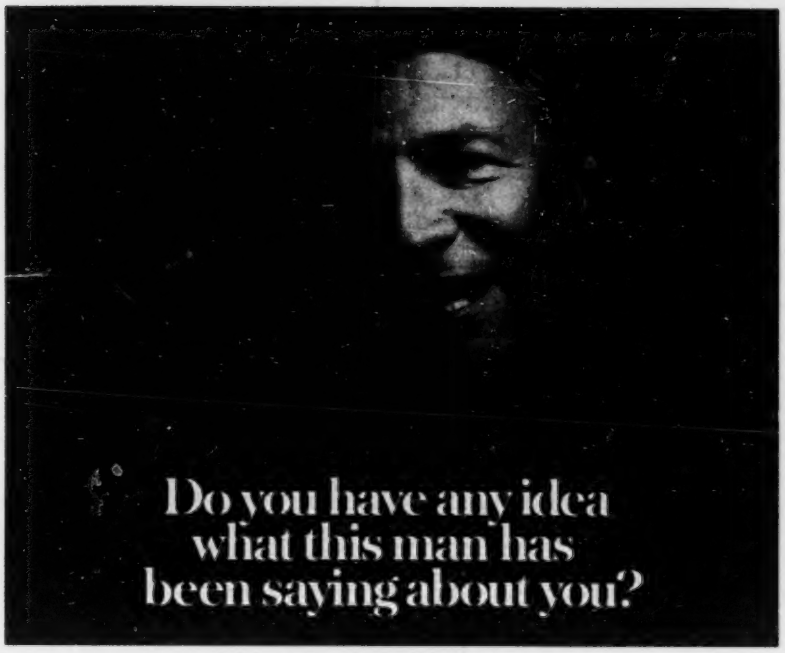
WE'RE FIGHTING FOR YOUR LIFE

third over the previous year.

There's a special irony in their accomplishments in that DEC is known as a technical and engineering-oriented company and only recently began to give serious attention to marketing. This year, for example, the company will give bonuses to certain salespeople for the first time.

Not surprisingly, a Comdisco marketer, senior vice president of





Next month
you'll find out.

THE WESTIN MAUI & THE WESTIN KAUAI
New Visions Of Paradise

Circle No. 145 on Reader Service Card

Growth
Marketing

Government at all levels is flexing its muscles. As federal, state, and local offices, agencies, and departments get in top condition, there's sales strength ahead for your products. Government buys everything from automobiles to zoom lenses — a hefty $691 billion worth in 1986.

Government business is heavyweight, world-class business — and GOVERNMENT PRODUCT NEWS can make you a contender. There is no better way to bring your sales message to 85,000 government officials monthly than through the pages of GOVERNMENT PRODUCT NEWS.

Build on it

Government Product News

The best seller in America's biggest market.

A Penton Publication
1100 Superior Avenue Cleveland, OH 44114
(216) 696-7000

Circle No. 114 on Reader Service Card